

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 AGR-05 INT-05 FEA-01 PA-01 PRS-01 SAM-01 PM-04

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R 161606Z JAN 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1581

INFO AMEMBASSY BUENOS AIRES

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EO 11652 NA

TAGS: ETRD EALR VE

SUBJ: VENEZUELA-ARGENTINA TRADE AGREEMENT

1. SUMMARY - VENEZUELA AND ARGENTINA HAVE ENTERED INTO A MAJOR TRADE AGREEMENT EXCHANGING WHEAT, CORN AND SORGHUM FOR IRON ORE. END OF SUMMARY.

2. THE GOVTS OF ARGENTINA AND VENEZUELA CONCLUDED A TRADE AGREEMENT JAN 14 IN CARACAS. THE AGREEMENT, SIGNED BY THE MINISTER OF FINANCE FOR VENEZUELA, HECTOR HURTADO AND THE MINISTER OF ECONOMY FOR ARGENTINA, ANTONIO F CAFIERO, PROVIDES FOR VENEZUELA TO PURCHASE 200,000 TONS OF WHEAT, 100,000 TONS OF YELLOW CORN AND 100,000 TONS OF SORGHUM FROM ARGENTINA; AND FOR ARGENTINA TO PURCHASE 150,000 TONS OF VENEZUELAN IRON ORE DURING THE CURRENT YEAR. ARGENTINA ALSO HAS AGREED TO PURCHASE 200,000 TO 250,000 TONS OF IRON ORE FROM VENEZUELA DURING THE PERIOD 1977-1980. PRICES TO BE PAID FOR THE COMMODITIES HAVE NOT BEEN REVEALED; HOWEVER, A VENEZUELA MARKETING OFFICIAL VALUED THE WHEAT

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PURCHASE AT \$28.8 MILLION ACCORDING TO THE PRESS.

3. HURTADO SAID THE DEAL EXEMPLIFIED THE NEW VENEZUELA AFTER NATIONALIZATION AND PROVIDED A MODEL FOR TRADE PACTS WITH OTHER LATIN AMERICAN COUNTRIES AND THE REST OF THE WORLD. WHILE THE AGREEMENTS WERE CONDUCTED BY GOVT AGENCIES OF THE RESPECTIVE COUNTRIES, REPRESENTATIVES OF PRIVATE ENTERPRISE ARE REPORTED TO HAVE PARTICIPATED IN THE NEGOTIATIONS. THE TWO GOVTS ARE EXPECTED TO CONTINUE DISCUSSIONS ON POSSIBLE AGREEMENTS INVOLVING FINANCIAL COOPERATION, SALES OF VENEZUELAN PETROLEUM AND COAL, THE ESTABLISHMENT OF A MIXED CAPITAL ALUMINA CONCERN AND THE SALES OF ARGENTINIAN AGRICULTURAL EQUIPMENT MILK AND BEEF.

4. COMMENT: THE AGREEMENT REFLECTS VENEZUELA'S DETERMINATION TO DIVERSIFY ITS SOURCES OF FOOD IMPORTS AS WELL AS MARKETS FOR ITS RAW MATERIAL EXPORTS. IT IS SIGNIFICANT THAT THE GOV HAS RELIED HEAVILY ON GOVT-TO-GOVT TRADE NEGOTIATION, RATHER THAN DEPEND ON FREE ENTERPRISE AS A MEANS OF PURSUING THE OBJECTIVES OUTLINED IN SELA OF REDUCING LATIN AMERICAN RELIANCE ON THE US AND INSURING GREATER COOPERATION AMONG THE LATIN COUNTRIES. WE CAN EXPECT VENEZUELA TO EMPHASIZE THE STATE TRADING ROUTE TO AN INCREASING DEGREE IN ITS FUTURE TRADE ACTIVITIES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IRON, TRADE AGREEMENTS, GRAINS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976CARACA00560
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760018-0272
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760151/aaaabswu.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 07 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 JUL 2004 by KelleyW0>; APPROVED <07 JUL 2004 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VENEZUELA-ARGENTINA TRADE AGREEMENT
TAGS: ETRD, EALR, VE, AR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006